The Embassy of the United States of America OTTAWA, ONTARIO CANADA

"Canada-U.S. Relations: Shared Borders and Shared Values"
Luncheon Address to the Winnipeg Chamber of Commerce
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As Prepared for Delivery

Thank you, Premier Doer, for that kind introduction. This is my fourth visit to Manitoba since 2001 when we reopened our Consulate, and I've always felt very welcome here in Winnipeg.
I appreciate the opportunity to speak to the Winnipeg Chamber of Commerce today about the broad range of U.S.-Canada relations. Because our economies are so entwined, I'll place special emphasis on the global system of free trade and its importance to our countries. But the theme I want to underscore today is that, while relations between the United States and Canada are big and important and sound, they have a global context that is equally important. Our challenge is not just to work together here in North America - something we have done very well for a long time. Increasingly, it is to work together in the world.

The U.S.-Canada partnership is huge. It is by far the world's largest bilateral trade and economic relationship and it stretches across more than 5,000 miles of shared border. At any given time each of us is hosting hundreds of thousands of each other's citizens.

Our relationship is so big and diverse that most of it thrives without reference to the federal government of either country. There is a dense web of relationships, communications and agreements between regions; between provinces and states; between municipalities; and between families and friends. When an extended family holds a reunion that includes cousins from four provinces and seven states, differences in federal approaches to climate change policy or whether we voted together in the latest Security Council resolution hardly matter to them.
On other levels, of course, relations between Washington and Ottawa matter a great deal. We have some significant differences on a number of specific issues. But our policy differences pale in comparison to the overall scope of our cooperation. When President Bush and Prime Minister Martin met at the White House last April, they discussed their shared desire for a world at peace. And as President Bush observed, we are working together to achieve that shared goal.
Canada has played a major role in peacekeeping missions in the Balkans and more recently in Haiti. Canada is helping lead the diplomatic effort to end the violence that afflicts western Sudan. Canada has been a leader in Afghanistan. Although Canada did not join the coalition in Iraq, Canada's navy has played a vital support role in patrolling the Persian Gulf. And Canada has been a major contributor to reconstruction in Iraq, having pledged 300 million dollars to help rebuild the country and establish a new government. We continue to be grateful to have a friend and neighbor like Canada, one that understands the power of free societies.

That is especially important today. We recently marked the third anniversary of the terrorist attacks of September 11. And I particularly appreciated the ceremonies that Manitoba and North Dakota held at the International Peace Garden to jointly mark that occasion. Those attacks called us to fight a war against international terrorism. Americans still feel those attacks very personally. But it's important to remember that Americans were not the only targets of attack on September 11 and we are not the only ones susceptible to terrorism. If we needed a reminder of that grim reality, we only need to recall the horrific events that left more than 300 innocent people dead, many of them children, at School No. 1 in Beslan, Russia.

We recognize that we can neither defeat international terrorism nor protect and defend our homeland by ourselves. Americans have been fortunate to have many friends and allies across the globe, on all continents and of all creeds, who have joined this fight. None is more important

than Canada. Because we share this continent, the security and welfare of Canada and the United States are inseparable. With a shared border of more than 5,000 miles, geography alone makes it inevitable that international terrorists will consider using Canada as a potential launching pad for entry into the United States. It is critically important that Canada and the U.S. continue to work together to prevent and deter that threat.

That is exactly what we are doing. Canada and the U.S. have worked hard to build a “Zone of Confidence” in North America. American law enforcement and intelligence agencies are working more closely than ever with their Canadian counterparts, especially the RCMP, CSIS and Canada Customs, to share information and to screen travelers to North America. We are cooperating overseas before visitors board commercial flights to North America. We are working together on a Port Security Initiative that will screen the millions of shipping containers that enter North America every year. U.S. and Canadian military personnel work together as a single unit at NORAD to monitor the air and sea approaches to North America and to protect us from attack. We have amended the NORAD agreement to extend NORAD's existing aerospace warning function to provide integrated tactical warning and attack assessment. As the U.S. proceeds with its program of ballistic missile defense, we hope that the Canadian government will decide to join us. Canada's recently announced national security policy maintains this spirit of close cooperation. It has three main objectives: protection of Canadians; protecting Canada's allies; and contributing to worldwide security. In other words, close cooperation is in Canada's own interest, in partnership with Canada's friends, and in response to global challenges.

The same holds true for international trade in goods and services. Our two-way volume of trade, in merchandise alone, is well over 1.1 billion U.S. dollars every day of the year. In 2003, about 18 percent of Manitoba's GDP was generated by exports to the U.S.. We have a single, integrated, continental industrial base. We eliminated virtually all tariffs between our two countries and Mexico through the free trade agreement and NAFTA, which has just completed its first decade. There is still work to do and some difficult trade problems still remain, including softwood lumber and wheat. But there is no longer much controversy in saying that we should work together to fix those problems and remove further obstacles. There is more debate over "how" to go further, than over "whether" we should. We are not competing with each other so much as we are working together to make North America competitive in the wider world.

And let me also address the continuing challenge of BSE, which we know is crushing ranchers in Manitoba and across Canada. This is one of those challenges our free trade agreements simply can't resolve. Our common goal remains the prompt and full restoration of trade in cattle and beef, both bilaterally and with our customers around the world. And President Bush reiterated our commitment to that goal as recently as September 10 at a campaign stop in Ohio. Our Department of Agriculture officials are reviewing the draft regulations needed to do that, and we continue to work with Canadian officials to harmonize our regulations to ensure the safety of our food supply and our public health.

The obstacles to trading within North America are real, but they are dwarfed by problems like the ones the Doha Development Round is tackling. And again, the difficulties have also presented opportunities. We are working with our international partners to seize those opportunities, especially to reduce tariffs on agricultural trade. We are doing so because of our firm belief that freer trade is good for the United States, good for North America, and good for the world.
I know this view has become controversial in many quarters. As we have recovered from an economic recession in the U.S., we saw economic growth rebound while job creation was slow. The U.S. economy is growing again - and it is growing jobs. The U.S. economy has created over one million new jobs in the last year. But job growth is still slower than we would like.

But we should not forget that millions of North American jobs are supported by North American exports. One in five factory jobs in the U.S. directly depend on trade. The surest way to continue adding more jobs to our economy is a confident economic policy that trades with the world. And that means, first and foremost, maintaining trade with our largest trading partner, Canada, and

with our second largest trading partner, Mexico. We won't improve the U.S. economy by retreating from world trade.

We can see the mutual benefits of free trade here in North America. The North American Free Trade Agreement has been a win-win-win agreement for Canada, the United States and Mexico. NAFTA has helped lift millions of Mexicans out of poverty. They become middle class consumers who are able to buy U.S. and Canadian goods and services.

It strengthened democracy in Mexico, where the opposition party won an election and there was a transfer of power, as should be the case in a democracy. This helps to illustrate how free trade works to everyone's benefit.

Canada, the United States and Mexico now have the opportunity to work together to expand on NAFTA. For example, we can coordinate national regulatory regimes and rules of origin labeling. And we can ensure that these are complementary while maintaining high standards for health, safety and environmental protection.

Global free trade is not just in the direct economic interest of the United States and its partners like Canada. It is in everyone's interest. When we provide a favorable climate for trade and investment, we lay the basis for lifting people out of poverty. Doing so not only creates new consumers for our goods and services. It also helps prevent failed states, like Afghanistan had become under the Taliban, by giving people hope in the future. International trade and investment figures dwarf foreign aid figures. Foreign aid can help a country build roads to open up resources that will help its economy. But foreign aid alone cannot lift people out of poverty. That requires the resources that come from foreign trade and investment.

Without minimizing the thorny problems that remain between us, the real challenges in trade policy, for both our countries, lie in the wider world - in finding how we can promote our shared values - in harnessing open, transparent, free markets to the task of making the world more prosperous. As in national security, our long and successful experience in working together on trade puts us in an excellent position to tackle these challenges.

Canada and the U.S. are probably the two best environmental partners in the world. Our two countries started formal cooperation nearly 100 years ago with the boundary waters treaty and the creation of the International Joint Commission.

For much of the 20th century the issues had to do with lakes, rivers, migratory birds, and acid rain - overwhelmingly bilateral challenges. And we still grapple with such issues, including Devils Lake. But we also face newer challenges that are predominantly global -- issues like ozone, persistent organic pollutants, highly migratory fish stocks, and tropical deforestation.

In the 1970s, landmark environmental laws made the U.S. federal government not just a conserver of wilderness - which it had been for decades - but also a guardian of air, land and water quality. These were among the first laws of their type in the world. The current administration is building on those laws and responding to society's continuing demand for environmental improvement.

Air quality in the United States has improved significantly in recent decades at the same time that miles traveled by vehicles has increased, and energy consumption has grown, and the economy has prospered.

In the past year the U.S. Environmental Protection Agency has proposed a new set of "clean air rules" which will continue these strong improvements in air quality. These rules particularly address the transport of pollution across state borders, by regulating interstate traffic, off-road diesel engines, and mercury emissions. Together, the new clean air rules should make the next 15 years one of the most beneficial periods in our history for air quality improvement.

I'd like to focus in some detail on the specific challenge of climate change policy. It's a good example of how one global issue can loom over and above all the things we've traditionally done together here in North America.

Early in his administration, in March 2001, President Bush announced that the United States would not join the Kyoto protocol. This has been a source of criticism in many quarters. But the critics quickly forget that, at the same time, the president reaffirmed that the United States would remain committed to the central goal of the UN framework convention - to stabilize greenhouse gas concentrations in the atmosphere.

The United States has shown sustained leadership in pursuing this goal through means other than the Kyoto protocol. In June 2001 the President created the Cabinet Committee on Climate Change Science and Technology. The following month, we launched the international agreement on carbon capture and storage - in which Canadian oil and gas companies are important partners.

In January 2002, the Secretary of Energy launched the Freedom Car program, a new cooperative automotive research program between the Department of Energy and major automakers. This program funds research into advanced, efficient fuel cell technology which will use hydrogen to power automobiles.

And most importantly, in February 2002 President Bush announced a multi-billion-dollar program of climate change initiatives. These are designed to slow, and as science justifies, stop and reverse the growth of greenhouse gas emissions. The Administration is committed to cutting America's greenhouse gas intensity - that means, emissions per unit of economic activity - by 18 percent over the next ten years.

This is the equivalent of taking 70 million cars off the road. It will require a major commitment - once again - to new technology on the part of our people, businesses and governments. But it is achievable because it is based on the common sense idea that economic growth is not just compatible with environmental progress; rather, it contributes to environmental progress. Economic growth provides the resources for investment, which in turn brings clean and energy-efficient technologies to life.

After he announced his climate change plan, the President requested a record 4.5 billion U.S. dollars in 2002-2003 alone for climate-related programs. This was an increase of 700 million dollars from the previous year. It represents a bigger commitment of resources to addressing climate change than that of any other nation in the world - more than Europe and Japan combined.

As the National Energy Policy Report made clear, we are committed to working with international partners on climate change and energy supply issues, because these problems are global in their scope. And to prove it further, in March 2002, despite our different views on the Kyoto protocol, the governments of the United States and Canada signed two international agreements, on renewable energy and climate science. These made it clear to each other and to the world that we were committed to expand and intensify shared efforts to address global climate change, whether or not either of us chose to ratify Kyoto. While taking different views of the value of the Kyoto accord, the United States and Canada take similar views of the scale of the challenge and the need to work in concert.

We have a long record of working together here in North America, particularly along the border. But now we are driven by a bigger agenda: a worldwide challenge that will affect every country on earth.

Let me turn to a fourth area of U.S. and Canadian cooperation and interdependence, that of energy. Manitoba Hydro is a vital supplier of clean hydroelectricity to the United States, and

Canada overall is our largest foreign supplier of total energy -- in fact, by a margin of two to one. We share an integrated electrical grid and a continental network of oil and gas pipelines and refinery infrastructure. Canada supplies about thirty percent of total U.S. energy imports. Canada is a world leader in the development of clean, leading-edge energy services and technologies. Cooperation and integration are very deep in the energy sector, and much has been done over past 20 years to institutionalize them.

The North American Energy Working Group, formed in the first months of the Bush Administration in 2001, is only the most recent major step. An Alaska natural gas pipeline will hopefully demonstrate yet again what the U.S.-Canada partnership can do by once again extending the frontiers of our continent's energy supply. And plans for the expansion of Manitoba Hydro's generating and transmission systems offer new opportunities for continental cooperation in energy.

We still have work to do. As the President's National Energy Policy report showed in 2001, we face major infrastructure challenges throughout the energy sector, particularly in the integrated grid that transmits electric power in both our countries.

But again, even bigger, more difficult issues confront us today on the global scene. An immediate example is found in energy prices. The cost of oil and refinery products is obviously not a domestic phenomenon. There is a single worldwide oil market and these prices go up and down more or less simultaneously everywhere - in countries, which export oil, like Canada, and in countries that import it, like the United States.

It might interest some Americans to know, not just that Canada is our largest supplier of imported energy, and the world's second largest holder of petroleum reserves, but that Canadians nevertheless are just as much affected by high oil prices as Americans are.

This point should be remembered when we think about increasing energy security in North America. Arguments for so-called "self-sufficiency" go too far if they promise us that we can wall ourselves off from the world. We North Americans can increase the share of our energy needs that we supply for ourselves. There are many good reasons to do so. But we need to be realistic about whether this will end our exposure to world energy markets. Even if, like Canada, the U.S. could produce more oil than it now consume, Americans would still be affected, just as they are now, and just as Canadians are, by global supply and demand.

So to achieve energy security for North America, we need to broadly diversify our sources of energy while also working to improve energy efficiency. That diversification will include development of new hydro resources here in Manitoba, and it will include the development of Alberta’s vast oil sands. Wind and other resources also stand to join the energy mix. And as we work together to take advantage of North America’s natural gas and other energy resources, we must also be considering new sources of energy around the world. Liquefied natural gas technologies are improving rapidly, and with the potential development of LNG terminals on the East and West coasts of this continent, and around the world, we are likely witnessing the first steps toward an integrated global market for natural gas.

By continuing to work with our suppliers here and around the world to develop new sources of oil, gas, coal, and other sources of energy, and by continuing the search for more efficient renewables such as hydro and wind power, we – the United States and Canada – will further diversify our energy markets, creating a free and competitive market for power and energy. We have not found a better mechanism than free global markets as a way to deliver goods and services to billions of people. This is true of energy as it is for other goods and services. So we will continue to work toward the goal of enhancing energy supplies in North America, by letting our markets work. And we will also work with our international partners, both within North America and around the world, to enhance energy supplies not just in North America but worldwide.

The hydrocarbon economy has lasted a hundred years. But it will not last forever. We will eventually move beyond petroleum and coal. It took centuries for our hydrocarbon fueled economy and society – and climate change - to develop. And it will take time to address it. If we take the long view - allowing appropriate time frames, and drawing on the transformative power of technology - we can change on the necessary scale and without economic trauma. And this change will not only address the worldwide challenge of climate change. It will also help to move the world beyond reliance on fossil fuels.

All of the themes I've discussed today - building a more secure and prosperous world, protecting the natural resources of North America, working to make sure we have the energy we need to power our economies, protecting ourselves from international terrorism - are interests that the United States and Canada share with the rest of the global community. None of us can achieve those goals independently; we can only achieve them by working together.

But we share more than interests, just as we share more than a border. There are fundamental values that unite our two countries. And I'd like to conclude with an observation about one of the most cherished values shared by Canadians and Americans. For the second time in four years, Canada and the United States are conducting national elections in the same year. When Canadians went to the polls on June 28, they participated in a long and proud democratic tradition. They participated in a parliamentary tradition that combines executive and legislative powers. And they participated in an evolutionary political tradition that prides itself on seeking consensus and accommodation among diverse groups of people.

When Americans go to the polls about two weeks from now, we will be participating in an equally proud democratic tradition. Our tradition is based on a political system that separates and balances executive, legislative and judicial powers. It is a political system that, by design, values, and often forces, conflict and adversarial debate in national political life.

Our national political systems, while different, illustrate the most important values that we share. There is no more important value, for Americans and for Canadians, than a political system that allows us fully to choose our governments and our representatives. This system is the foundation of our freedom to live, think, talk, and prosper. Those values of freedom, represented by free elections and democratic government, are the real bedrock of the relationship between Canada and the United States, the closest bilateral relationship between any two countries in the world. Thank you very much.